

## **Tax Incentives**

### **INVENTORY TAX ABATEMENT IC 6-1.1-20.8**

A business pays no property tax on wholesale or retail resale merchandise, raw materials, supplies, work in process, or finished goods.

To claim the inventory tax abatement, a business must:

- Report business inventory on annual personal property tax return (Form 103 and 104). The form must be filed by May 15 with the Township Assessor unless an extension of up to 30 days is granted in writing.
- File Form EZ-1 to obtain inventory tax abatement. Form EZ-1 must be filed with the County Auditor by May 15.

The county auditor will inform the business in writing by August 15 if the credit is allowed. Approved credits will be applied to property tax bills in May and November.

Contact the County Auditor where your business is located to obtain Form EZ-1 and Forms 103 and 104.

### **INVESTMENT COST CREDIT IC 6-3.1-10**

An individual purchasing an ownership interest in an Enterprise Zone business may be eligible to receive a credit of up to 30 percent of the purchase price against his or her state tax liability.

To claim the investment cost credit, an individual must:

- Request that the Indiana Department of Commerce (IDOC) determine if the purchase is a qualified investment. This must be done before the purchase is made. If the purchase is a qualified investment, the IDOC will then determine the precise percentage of the tax credit the individual may claim.
- Attach certification documents to individual tax return (The IDOC will provide the taxpayer with certification documents).

Contact the IDOC at (317) 232-8911 or 1-800-824-2476 for more information.

### **GROSS INCOME TAX EXEMPTION IC 6-2.1-3-32**

A qualified business pays no gross income tax on increased receipts earned by operating in an Enterprise Zone.

A taxpaying business entity pays no gross income tax on increased receipts gained from operating in an Enterprise Zone. The amount of the increased receipts is determined by subtracting the receipts of the current year from receipts of the base year. The base year is the 12-month period immediately preceding the designation of an Enterprise Zone. For businesses new to an Enterprise Zone, the base year receipts

are zero.

To claim the gross income tax exemption, a business must:

- Report exempt receipts as "non-taxable receipts" on tax return Form IT-20, Schedule EZ, Part IV.
- File Form IT-20, Schedule EZ, Part IV with annual tax return.

### **LOAN INTEREST CREDIT IC 6-3.1-7**

An individual or business that pays taxes in Indiana is entitled to a 5 percent tax credit on interest income from a loan that benefits businesses or residents of an Enterprise Zone. To qualify, the loan must directly benefit an Enterprise Zone business; increase the assessed value of real property in an Enterprise Zone; or be used to rehabilitate, repair or improve a residence in a zone.

The loan interest credit can be applied to reduce the gross income tax, adjusted gross income tax, supplemental net income tax, bank tax, savings and loan association tax and/or the financial institutions tax.

To claim the loan interest credit, an individual or business must:

- Indicate the amount of credit for which they are eligible on Schedule LIC
- File Schedule LIC with annual tax return.

### **EMPLOYMENT EXPENSE CREDIT IC 6-3-3-10**

A business may apply a credit to its gross income tax or adjusted gross income tax liability for wages paid to qualified employees.

A "qualified employee" is one who lives in the enterprise zone, works 50 percent of his or her time in the enterprise zone and has at least 90 percent of his or her services directly related to the employer's facility in the enterprise zone.

The annual credit is applied after all other Indiana credits against state income tax liability (either gross income tax or adjusted gross income tax). Credit earned that exceeds tax liability may be carried back or brought forward to other tax years.

To claim the employment expense credit, an employer must:

- Indicate the amount of the credit for which they are eligible on Schedule EZ.
- File Schedule EZ with annual tax return
- If you have questions, refer to Income Tax Information bulletin #66 available from the Indiana Department of Revenue, Compliance Division (see above).

**EMPLOYEE WAGE DEDUCTION IC 6-3-2-8**

The employee tax deduction means that a qualified employee's wages, up to \$7,500, are exempt from Indiana individual income tax.

A "qualified employee" is one who lives in the Enterprise Zone and works 50 percent of his or her time in the Enterprise Zone and has at least 90 percent of his or her services directly related to the employer's facility in the enterprise zone.

For an employee to claim the employee tax deduction:

- The employer will provide the employee with Form IT-40 QEC, which indicates the wages the employee has earned in the Enterprise Zone.
- The employee will attach Schedule IT-40 QEC to his or her Indiana Individual Income Tax Return.

If you have questions regarding the Gross Income Tax Exemption, Loan Interest Credit, Employee Wage Deduction or Employment Expense Credit, please refer to Income Tax Information bulletin #66 available from:

Indiana Department of Revenue  
Compliance Division  
Corporate Income Tax Section  
100 N. Senate Ave, Room N203  
Indianapolis, IN 46204-2253  
(317) 232-2189